

**Testimony of Susan K. Neely
President and CEO
American Beverage Association**

**Before the Water Resources Subcommittee
House Committee on Transportation and Infrastructure**

June 8, 2005

Introduction

Good morning, Mr. Chairman and members of the subcommittee. Thank you very much for the invitation to appear before the subcommittee to discuss the issue of creation of a federal clean water trust fund.

I am Susan K. Neely, President and CEO of the American Beverage Association (ABA). The American Beverage Association has been the trade association for America's non-alcoholic refreshment beverage industry for more than 85 years. Founded in 1919 as the American Bottlers of Carbonated Beverages and renamed the National Soft Drink Association in 1966, ABA today represents hundreds of beverage producers, distributors, franchise companies and support industries. ABA's members employ more than 211,000 people who produce U.S. sales in excess of \$88 billion per year.

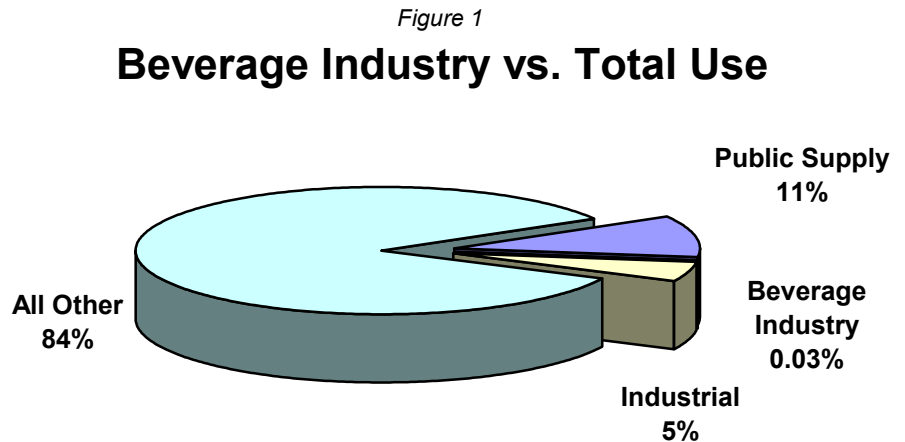
According to American Economics Group, Inc., direct, indirect and induced employment in the beverage industry means 3.02 million jobs that create \$278 billion in economic activity. At the state and federal level, beverage industry firms pay more than \$30 billion of business income taxes, personal income taxes, and other taxes with over \$14 billion in taxes paid to state governments alone. In 2003 it is estimated that beverage companies donated \$326 million to charities.

ABA members market hundreds of brands, flavors and packages, including carbonated soft drinks, ready-to-drink teas and coffees, bottled waters, fruit juices, fruit drinks, dairy-based beverages, and sports drinks. Water is vital to humans, vital to consumers, and vital to our member companies.

As the provider of a significant share of what Americans drink, we agree that it is critical that we manage water resources wisely to insure the quality and quantity of future supplies.

The Beverage Industry – Efficient Water Users and Good Customers

Considering that our industry's products account for almost half of what America drinks, we account for only a tiny fraction of total water use. Of the more than 400 billion gallons withdrawn each year in the US (*USGS*) the beverage industry uses about 3/100 of one percent or about one gallon out of every 3,300 gallons withdrawn from ground or surface water sources (Figure 1).



Our industry is constantly improving production systems and incorporating reuse and reduction measures into our facilities to become more efficient. On average it takes about a gallon and a half or two gallons of water to make a gallon of finished product. This represents a water use ratio of about 1.5-2:1. That number has been improving over the last several decades as we continually strive to implement conservation efforts in our plants and increase efficiency. Beyond the water that goes directly into the product, we use water on the production line; we use it to clean production equipment, in washing our fleets, and in everyday employee use in the plants. Examples of our water conservation efforts include use of de-ionized air to rinse cans and bottles prior to filling; reclamation of backwash water from our sand and carbon filtration processes; and conversion to automated “clean in place” systems that employ a closed loop for water. Our current water use ratio is a dramatic reduction from the “old days” in the beverage industry where refillable packaging consumed vast amounts of water and produced high volumes of caustic waste water. Looking ahead, our members will continue to evaluate new processes and technologies that can lead to even more efficient use of water.

Beverage producers draw the overwhelming majority of their water from public water supplies; the remainder is self-supplied. Even if we assumed that *all* bottling uses came from public supplies, the total withdrawals for beverage companies would still only be about 1/3 of one percent of all public uses.

Our industry has grown keenly aware of the importance of efficient water use. We account for a surprisingly small share of withdrawals from the total public water supply. And we are good contributors to our community systems, participating in planning activities and paying fair rates for our water.

Taxing Beverages Is a Bad Idea

We acknowledge the substantial needs identified for our country's water supply and waste water systems. We also recognize that we, along with other commercial, residential, industrial, and agricultural users, must do our part to fund necessary improvements and expansion to the infrastructure.

Over the past 6 months, there have been press reports outlining a proposal that would levy a federal tax on beverages to generate revenue for the creation of a federal clean water trust fund. Levying a tax on packaged beverages is an inequitable and regressive way to raise funds for environmental infrastructure for three reasons.

First, targeting our industry and consumers of our products places the burden only on a very small share of water users. As I stated, products made by ABA members consume less than 1/3 of one percent of water supplied by public systems. Placing such a large tax – estimated variously at 5¢ per container to 7 percent of sales – on so few users is not equitable.

Second, a tax on beverages is a tax on food. Beverages are a staple in the family grocery cart. It is not clear from press reports how such a tax would be administered or what the rate of taxation would be, although proposals floated have variously ranged from 5 cents per beverage to almost 7%. I am not aware of the plan for administration and collection of the tax. It may be necessary to set up a whole new bureaucracy to collect this tax. We all know food taxes are regressive, placing the greatest burden on working families, the poor and the elderly.

Finally, our industry will do its part to support infrastructure needs. But many commercial and industrial establishments use water as an input to their products. Just as beverage companies buy water as a factor of production, so, too, do circuit board manufacturers, paper companies, and food processors. Our role is as one of many users that could pay higher rates that reflect infrastructure needs – not as the sole source of these funds.

Summary

Water resource management is a critical area of concern for our members and for our customers. We are committed to wise and efficient use of water to insure a safe and ample supply for our future. Though we produce much of what consumers drink every day, our use of water is minor compared to others. We encourage this committee to reject an inequitable and regressive tax on our products and consumers and look to fair, broad-based, comprehensive mechanisms to address funding needs instead.